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BUFETE LAN / ANALYSIS



BREXIT AND MEXICO

January 18, 2021.

Great Britain is out of the European Union.

Prime Minister Harold Mcmillan requested for the first time in 1961 the participation of Great Britain in what it is now the European Union.

But it was until France raised its veto in 1969 that the then Economic European Community accepted Great Britain as a member in 1973.

Great Britain is related to the concept of the Island of Britain and is composed by Scotland, Wales and England (and of course Northern Ireland, the UK).

In 2016 Great Britain underwent a referendum in order to decide if it continued belonging to the Union or not. The exit won and since then the word "Brexit" became a well-known and controversial concept in international relations.

December 31, 2020, was the limit to reach an agreement in order to rule the future commercial relation between the parties, among other aspects.

After struggling mainly with the issues of fishing quotas in British waters, rules to enforce the agreement and unfair competition, the 27 nations of the European Union and Great Britain reached an agreement avoiding tariffs and quotas and the applicability of the World Trade Organization rules.

The Agreement is now under provisional enforcement and subject to its ratification by the European Parliament.

But what about Brexit and Mexico?



Mexico and the European Union signed in the year 2000 a free trade agreement which remains in force. Lately, it has been subject to review and modernization, a process which recently concluded.

But now that Great Britain is out of the European Union it was necessary to deal with its commercial relation with Mexico since the mentioned free trade agreement, in strictu sensu, is no longer applicable to Great Britain.

In this context, Mexico and Great Britain recently signed an Agreement of Commercial Continuity, maintaining preferential access for their products and services under the mentioned free trade agreement between Mexico and the European Union and thus avoiding the applicability of tariffs and quotas.

This Continuity Agreement, which will be in force three years, will allow both nations to negotiate later an ad-hoc commercial treaty.

In terms of volume, Great Britain is Mexico's 16th commercial partner. In 2019, for example, the value of both countries commerce reached about six thousand million dollars.

British direct foreign investment in Mexico accumulated about sixteen thousand million dollars in the period 1999-2020, that is, since the signature of the trade agreement with the Union in 2020, trade between Mexico and Great Britain has grown four times.

As mentioned, Mexico and the European Union have completed the process of modernization of their free trade agreement.

New areas have been incorporated such as medium and small companies, transparency, anti-corruption rules, sustainable development, digital commerce, and a permanent court for the resolution of disputes, among other areas.

The European Union is Mexico's third commercial partner.

About 80% of Mexico's foreign trade is with the United States. This commercial relation is strategic for Mexico for obvious reasons. But Mexico would do well to diversify more its international commerce with Latin America, the European Union and China, among other regions of the world, especially now that the Covid-19 crisis has put Mexican economy under colossal tensions.

Should you need professional advice on the Free Trade Agreement between Mexico and the European Union, please contact us at bufetelan@bufetelan.com

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